

**GCSE**  
**ECONOMICS**

**J320**

Unit A593: *The UK Economy and Globalisation*

**Resource Material**

Time: 1 hour 30 minutes

## INSTRUCTIONS TO TEACHERS

- The case study may be given to candidates at any time after 1 January 2009.

## INFORMATION FOR CANDIDATES

- You should make yourself familiar with the case study before you take the question paper.
- You must not take notes into the examination.
- A clean copy of the case study will be given to you with the question paper.

## 'The Globalisation Game'

'The world's economies have developed ever-closer links since 1950 in trade, investment and production.

Known as globalisation, this process is not new, but its pace and scope has accelerated in recent years to embrace more industries and more countries.

There have been losers as well as winners from globalisation, with China being the biggest winner'.

Adapted from: BBC News

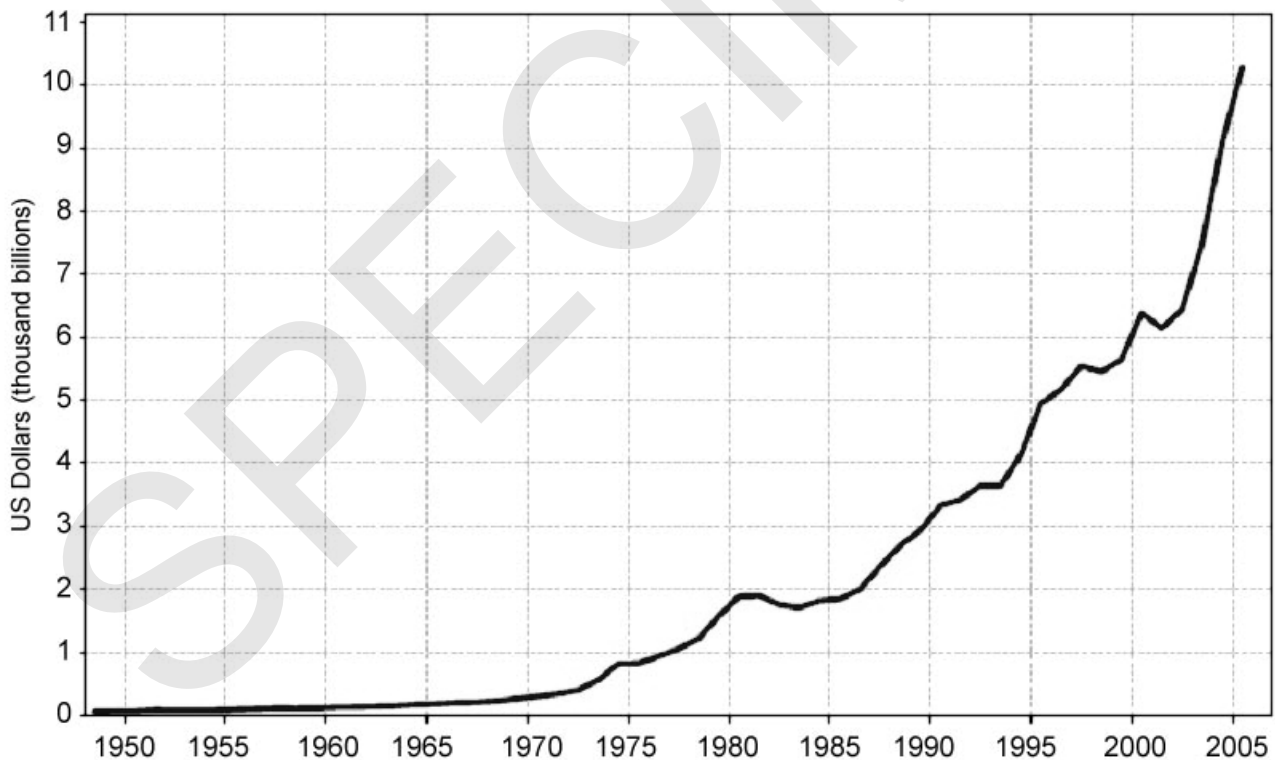
Meena and Malcolm run a company making and selling educational games. They recently had great success with a board game based around the rights and responsibilities of citizenship.

They have now turned their attention to 'globalisation'. They are aware that there are many players in this 'game' and that there are also many winners and losers. Before they start to construct the game they need to establish some facts and figures about globalisation.

**Fig. 1**  
**Just how quickly has world trade grown?**

### The Value of World Exports

US dollars, annual figures, source: IMF

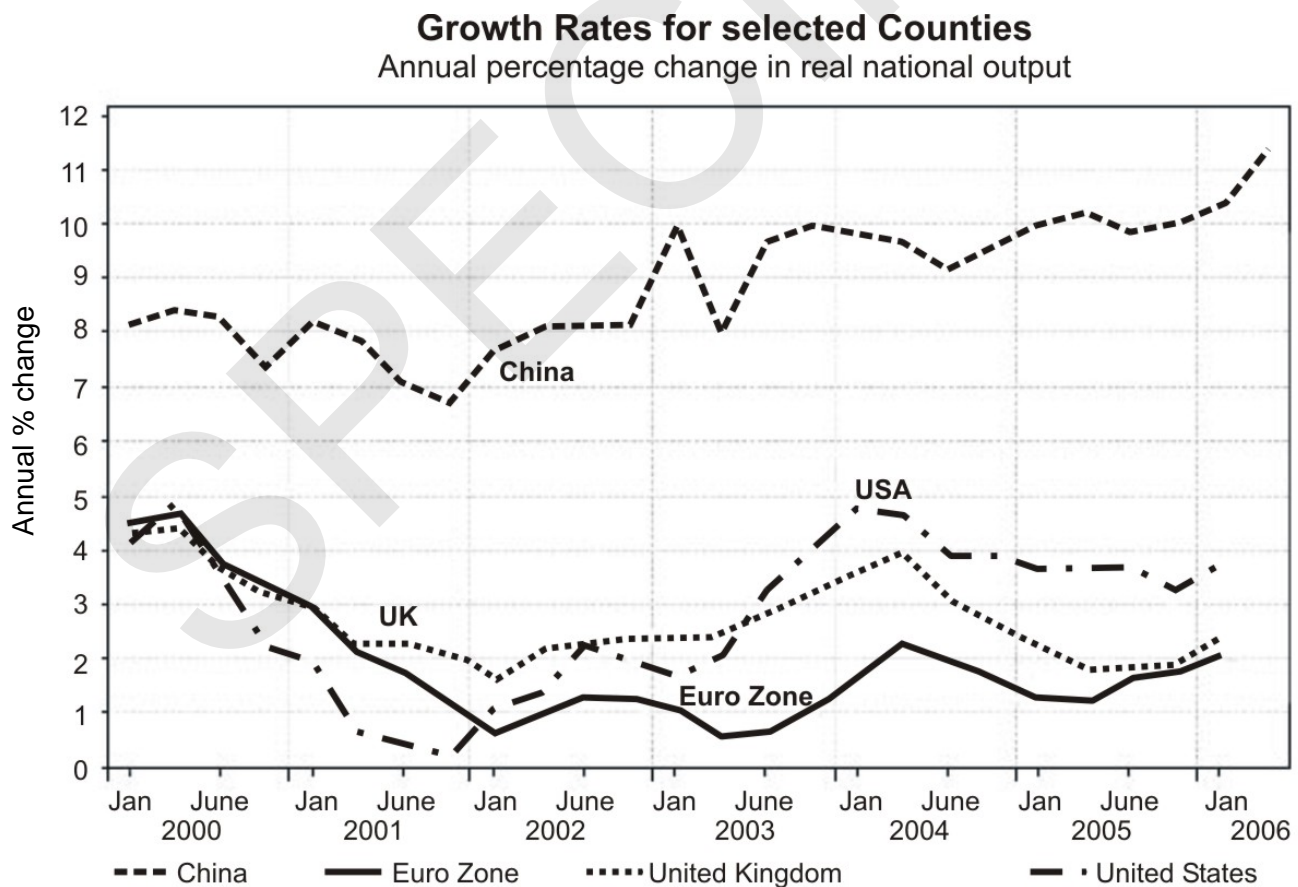


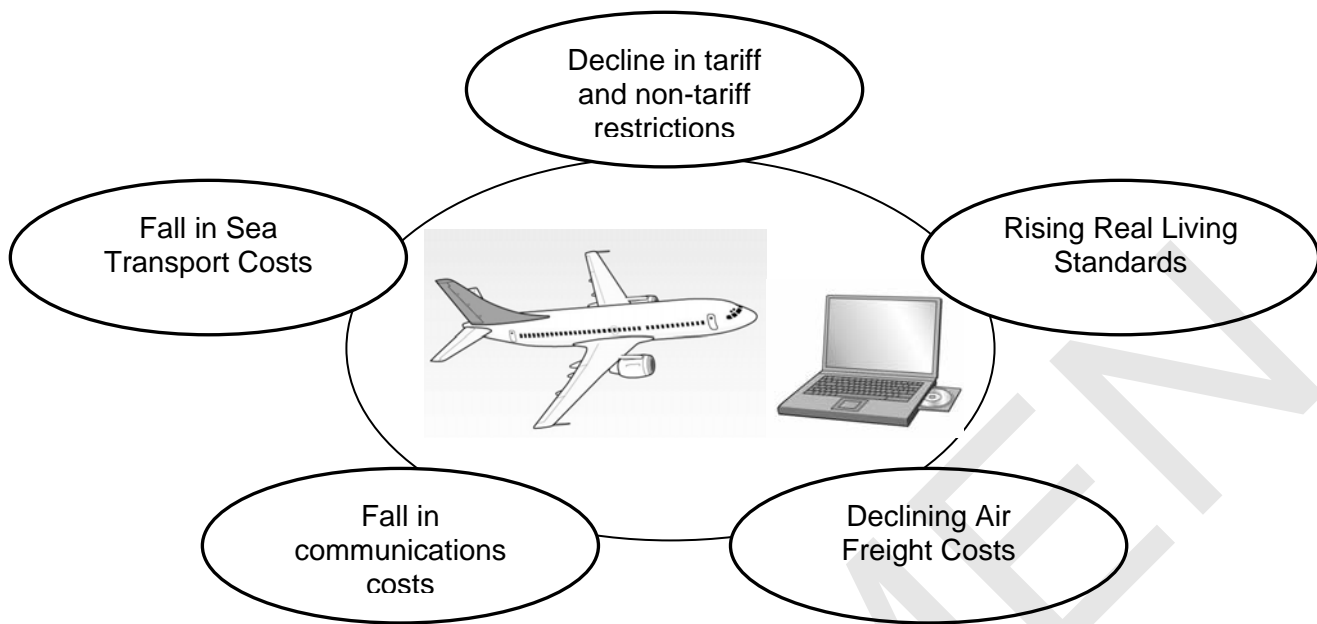
Source: Reuters EcoWin

**Fig. 2**  
**Who are the main players?**

Ranking	Largest economies in 2003	Largest economies in 2025 (forecast)	Largest economies in 2050 (forecast)
1	USA	USA	China
2	Japan	China	USA
3	Germany	Japan	India
4	UK	Germany	Japan
5	France	India	Brazil
6	China	UK	Mexico
7	India	Russia	Germany
8	Brazil	South Korea	UK

**Fig. 3**  
**Just how quickly is China growing?**



**Fig.4****What are the main drivers of globalisation?****Fig. 5****Growth in some cities in China is phenomenal!**

**Drive from Chongqing airport towards the city centre and the first things you notice are the cranes.**

A grim mixture of mist and man-made pollution usually makes it difficult to see very far in this sprawling metropolis on the banks of the Yangtse River. But even in the gloom I count fifty huge construction sites before we are halfway to our hotel. The population of the city is expected to grow by 40,000 people this month, and every month for years to come. The municipality of Chongqing, which includes a chunk of the surrounding countryside, already has a population of 31 million. That is more than half the number of people who live in Britain.

### **Good wages**

This is China's new economic frontier. The country's extraordinary development began in the coastal cities, powered by a seemingly limitless supply of cheap labour. But as costs and wages have risen in those areas, businesses are looking west for new, cheaper places to operate. Chongqing lies more than a thousand miles inland. And the city authorities - ever eager to attract new investment - claim that wage rates for many jobs here are half of those in some of the coastal cities.

But Chongqing still has no difficulty in attracting new migrants from the vast rural hinterland of China's south west. Many come hoping to get work in a factory. I was introduced to a young assembly worker, newly arrived from a tiny village. His pay is £80 a month. And although he admitted that he had found the transition to city life quite difficult, the money was far more than he could hope to earn back in his home village.

*Adapted from a report by Nils Blythe and Hugh Sykes who report daily from China for the BBC*

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Fig. 6

**World Trade Organisation - Free Trade can lead to greater economic growth and create jobs!**

## **Trade stimulates economic growth, and that can be good news for employment**

The World Trade Organization (WTO) is the only international organization dealing with the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible.

Trade clearly has the potential to create jobs. In practice there is often factual evidence that lower trade barriers have been good for employment. But the picture is complicated by a number of factors. Nevertheless, the alternative — protectionism — is not the way to tackle employment problems.

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This is a difficult subject to tackle in simple terms. There is strong evidence that trade boosts economic growth, and that economic growth means more jobs. It is also true that some jobs are lost even when trade is expanding. But a reliable analysis of this poses at least two problems.

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**First**, there are other factors at play. For example, technological advance has also had a strong impact on employment and productivity, benefiting some jobs, hurting others.

**Second**, while trade clearly boosts national income (and prosperity), this is not always translated into new employment for workers who lost their jobs as a result of competition from imports.

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There are many instances where the facts show that the opportunity has been grasped — where freer trade has been healthy for employment. The European Union Commission calculates that the creation of its Single Market means that there are somewhere in the range of 300,000–900,000 more jobs than there would be without the Single Market.

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Often, job prospects are better in companies involved in trade. In the United States, 12 million people owe their jobs to exports; and, those jobs tend to be better-paid with better security.

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The facts also show how protectionism hurts employment. The example of the US car industry has already been mentioned: trade barriers designed to protect US jobs by restricting imports from Japan ended up making cars more expensive in the US, so fewer cars were sold and jobs were lost.

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In other words, an attempt to tackle a problem in the short term by restricting trade turned into a bigger problem in the longer term.

Adapted from the 10 benefits of world trade by the **World Trade Organisation**

**Fig. 7**  
**Just how important is economic growth?**  
**Economic Benefits from Growth**



**Fig. 8 There are many winners with globalisation!**

#### **Globalising the car industry**

**Sheafali is very pleased that at the age of 25, she has just been able to buy her first car, a small Hyundai.**

She plans to use the car to go on weekend trips to the hill country to escape the heat of Delhi, where she lives.

Sheafali is able to afford a car because she works in a call centre run by the US multinational company 'Convergys' - which is not only well-paid by Indian standards, but also gives her the weekend off.

She may be typical of the new breed of consumer - young, savvy and Asian - who represents the future of the car industry.

Major companies developing low-cost cars include Renault, Fiat, Peugeot, Daewoo (GM), Hyundai and Daihatsu (Toyota), as well as Chinese firms Geely and Chery and Indian companies Tata and Maruti. They are producing these cars for emerging markets such as Asia.

High fuel prices - and high taxes on petrol - are discouraging consumers from buying the large, fuel-guzzling SUVs (sports utility vehicles).

Story adapted from BBC NEWS:  
<http://news.bbc.co.uk/go/pr/fr/-/1/hi/business/6346325.stm>

Published: 2007/02/28 20:36:57 GMT  
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**Fig. 9**  
**However, economic growth has hit oil and food prices!**

### **UN warns on soaring food prices**

**The soaring cost of food is threatening millions of people in poor countries, the United Nations Food and Agriculture Organisation (FAO) has warned.**

Food prices have risen by an unprecedented 40% in 2007 and many nations may be unable to cope, the agency says.

It is calling for help for farmers in poor countries to buy seeds and fertiliser, and for a review of the impact of bio-fuels on food production.

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### **Urgent action**

The increases are partly due to droughts and floods linked to climate change, as well as rising oil prices boosting demand for bio-fuels, the FAO said.

Changing diet in fast-developing nations such as China is also considered a factor, with more land needed to meet increasing demand for meat and wheat. International cereal prices have already sparked food riots in several countries, the FAO points out.

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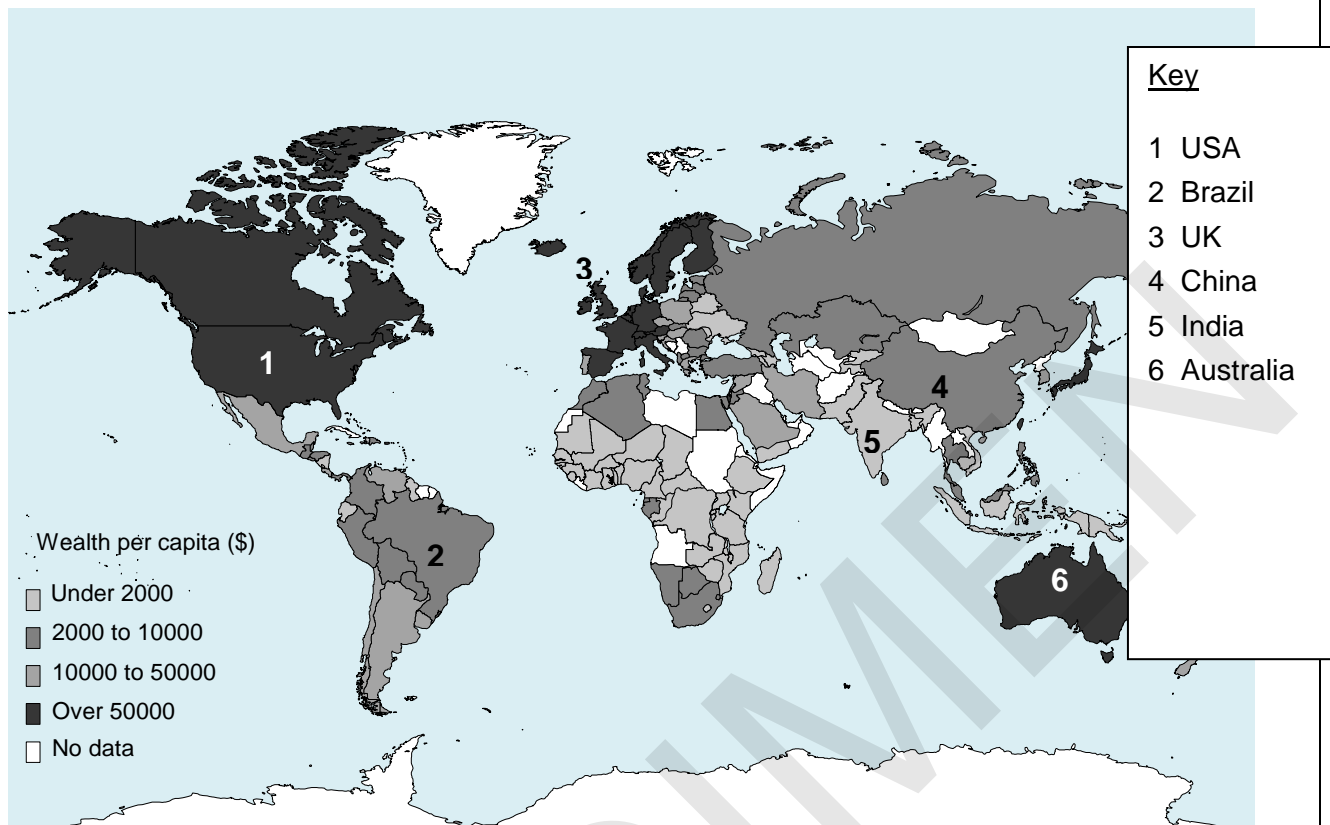
The use of land to grow plants which can be used to make alternative fuels - and the use of food crops themselves for fuel - has reduced food supplies and helped push up prices.

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Adapted from BBC NEWS:  
<http://news.bbc.co.uk/go/pr/fr/-/1/hi/world/7148880.stm>

Published: 2007/12/17 20:15:54 GMT

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**Fig. 10****Winners and losers - Why is wealth and income spread so unequally?**

Source: UNU-WIDER

The world distribution of wealth and income is highly unequal. The richest 10% of households in the world have as much yearly income as the bottom 90%.

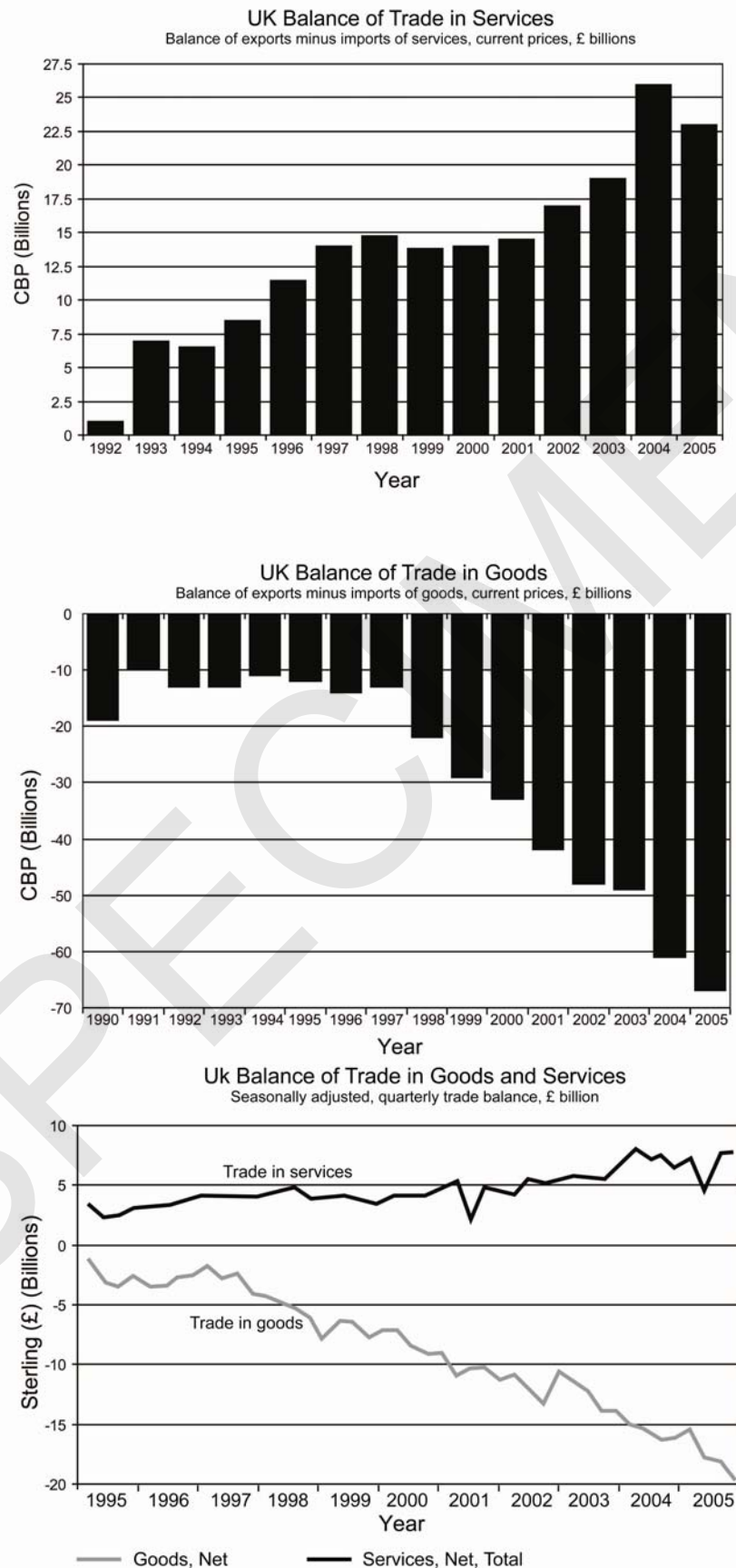
Wealth - total assets rather than yearly income – is even more unequal. The rich are concentrated in the US, Europe and Japan, with the richest 1% alone owning 40% of the world's wealth.

Poverty, on the other hand, is widespread across the developing countries - which have five-sixths of the world's population. But recently it has fallen sharply in China.

Adapted from a story by the BBC News



**Fig. 11**  
**Can the UK afford to pay its way?**



### *Copyright Acknowledgements:*

#### *Sources:*

**Source 1:** The Globalisation Game. Adapted from: BBC News

**Fig. 1:** The Value of World Exports. © Reuters EcoWin

**Fig 3:** Growth Rates for selected counties. © Reuters EcoWin

**Fig. 5:** Growth in some cities in China is phenomenal! Adapted from a story by Nils Blythe, business correspondent, © BBC News, Chongqing, China

**Fig. 6:** Trade stimulates economic growth, and that can be good news for employment. Adapted from the 10 benefits for world trade by the © World Trade Organisation.

**Fig. 8:** Globalising the car industry. Adapted from a story by By Steve Schifferes, Globalisation reporter, BBC News; Story adapted from BBC NEWS: <http://news.bbc.co.uk/go/pr/fr/-/1/hi/business/6346325.stm>, Published: 2007/02/28 20:36:57 GMT, © BBC MMVII

**Fig. 9:** UN warns on soaring food prices; Adapted from BBC NEWS: <http://news.bbc.co.uk/go/pr/fr/-/1/hi/world/7148880.stm>; Published: 2007/12/17 20:15:54 GMT; © BBC MMVII

**Fig. 10:** Distribution of Global Wealth. With kind permission of the World Institute for Development Economics Research of the United Nations University. UNU-WIDER

**Fig. 11:** UK Balance of Trade. © Reuters EcoWin

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